Bank Enterprise Award Program
Policy Guidance on "Double Funding"
(Issued March 2000)

The Community Development Financial Institutions Fund (CDFI) Fund has received several inquiries with respect to the prohibition on receiving awards under the CDFI Program and the Bank Enterprise Award (BEA) Program. This prohibition affects certified Community Development Financial Institutions (CDFIs) that are also insured depository institutions. This policy document attempts to clarify the Fund's policy on such "double funding" and provides guidance to program participants on this matter.

Statutory Background:

The Community Development Banking and Financial Institutions Act of 1994 prohibits an insured depository institution that is a certified CDFI from receiving a BEA Award if it:

❖ has an application pending under the CDFI Program; or

❖ has directly received assistance under the CDFI Program within the preceding 12-months; or

❖ has ever directly received assistance under the CDFI Program for the same activity for which it seeks a BEA Award.

See 12 U.S.C. § 1834a(g) and 12 C.F.R. §§ 1805.102(a) and 1806.102(a).

The Fund's Policy:

The Fund will not issue a Bank Enterprise Award to a BEA applicant, if such applicant has an application pending under the CDFI Program at the time the Fund issues its Bank Enterprise Awards. To illustrate this policy, we offer the following example:

Example 1:

On November 20, 1999, the Fund receives a BEA application from ABC Bank, an insured depository institution that also is a certified CDFI. On January 20, 2000, the Fund receives an application from ABC Bank for a CDFI Program Award. On September 25, 2000, the Fund selects and notifies awardees of their Bank Enterprise Awards. ABC Bank's CDFI Program application is still pending. As a result, ABC Bank is ineligible to receive a BEA Award because it has an application pending under the CDFI Program.

✓ The Fund will select an organization to receive a Bank Enterprise Award if the Fund has directly disbursed assistance under the CDFI Program to such BEA applicant within 12 months prior to the date the Fund selects organizations to receive Bank Enterprise Awards. To illustrate this policy, we offer the following two examples.

Example 2:

ICU Bancorp, a depository institution holding company and a certified CDFI, applied for a CDFI Program award in January 1999. In September 1999, the Fund decided to award ICU Bancorp a CDFI Program award in the form of an equity investment. On November 20, 1999, the Fund receives a BEA application from ABC Bank. ABC Bank is a wholly owned subsidiary of ICU Bancorp and a certified CDFI. On March 10, 2000, the Fund enters into an Assistance Agreement with ICU Bancorp and shortly thereafter disburses the equity investment to ICU Bancorp. ICU Bancorp uses the Fund's equity investment to purchase stock in ABC Bank. ABC Bank is eligible to receive a Bank Enterprise Award because the Fund disbursed the equity investment to ICU Bancorp -- not ABC Bank.

Example 3:

On January 20, 1999, the Fund receives a CDFI Program application from XYZ Bank. XYZ Bank is an insured depository institution and a certified CDFI. On September 25, 1999, the Fund decided to award XYZ Bank a CDFI Program Award. On November 22, 1999, the Fund received a BEA application from XYZ Bank. On March 25, 2000, the Fund disburses the CDFI Program award to XYZ Bank. On September 25, 2000, the Fund selects and notifies applicants of their Bank Enterprise Awards. XYZ Bank is ineligible to receive a Bank Enterprise Award, because the Fund disbursed the CDFI Program Award to XYZ Bank within 12 months prior to the date the Fund selects organizations to receive Bank Enterprise Awards.

✓ The Fund will not issue a Bank Enterprise Award to a BEA applicant, if such applicant has ever directly received assistance under the CDFI Program for the same activities for which it seeks a Bank Enterprise Award. To illustrate this policy, we offer the following two examples.

Example 4:

JKL Bank is an insured depository institution and a certified CDFI. It received a CDFI Program Award from the Fund in September 1998. In March 1999, the Fund and JKL Bank entered into an Assistance Agreement under the CDFI Program. Shortly thereafter, the Fund disbursed the CDFI Program Award to JKL Bank. The CDFI Program Assistance Agreement covers the period from January 1, 1999 through December 31, 2003. The five-year Comprehensive Business Plan submitted by JKL Bank as part of its CDFI Program application indicates that JKL Bank will expand its lending and service activities within its Investment Area. JKL Bank would like to submit an application under the BEA Program to increase its Development and Service Activities within an eligible Distressed Community. JKL Bank's Investment Area encompasses the Distressed Community. JKL Bank is ineligible to receive a BEA Award for such activities, because they are the same activities for which JKL Bank received a CDFI Program Award.

Example 5:

On September 30, 1996, PDQ Bank, an insured depository institution and a certified CDFI, received a CDFI Program Award from the Fund. In August 1997, the Fund and PDQ Bank entered into an Assistance Agreement under the CDFI Program. Shortly thereafter, the Fund disbursed the CDFI Program Award to PDQ Bank. The CDFI Program Assistance Agreement covers the period from January 1, 1997 through December 31, 2001. The five-year Comprehensive Business Plan submitted by PDQ Bank as part of its CDFI Program application indicates that PDQ Bank will expand its lending and service activities within its Investment Area. PDQ Bank would like to submit an application under the BEA Program to increase its CDFI Equity Investment activities. The Comprehensive Business Plan submitted to the Fund in 1996 did not discuss the applicant engaging in CDFI Equity Investment activities, because this is a new product line for PDQ Bank. PDQ Bank is eligible to receive a BEA Award for such activities because they are different than the activities for which PDQ Bank received a CDFI Program Award.